Consolidated Financial Statements
of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2014

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2014

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards.

The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements involves the use of estimates based on management's judgment, particularly when current accounting period transactions cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Transportation Financing Authority

Grant Main
Chief Executive Officer

Nancy Bain
Executive Financial Officer
and Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BC Transportation Financing Authority, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Note 2(h) describes the accounting policy for capital funding received from the federal and provincial governments and other outside agencies. The policy is to initially record the capital funding as deferred revenue (a liability) and then recognize revenue in the statement of operations on the same basis as the related assets are amortized.

In this respect the financial statements are not in accordance with Canadian public sector accounting standards which require transfers of a capital nature to be recorded as revenue, except when the transfer meets the definition of a liability for the recipient entity.

Had BC Transportation Financing Authority made an adjustment, when this was first brought to their attention, for those funds received that in my opinion do not meet the definition of a liability, at March 31, 2014, liabilities would have been less by $2,441 million, the accumulated operating surplus at the beginning of the year would have been greater by $2,177 million, and current year revenue would have been greater by $264 million.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 2014, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Russ Jones

Victoria, British Columbia
July 11, 2014

Russ Jones, MBA, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2014 ($ 000s)	2013 ($ 000s)
Financial assets:			
Cash and cash equivalents	3	228,808	25,978
Due from government and government organizations	4	37,582	63,412
Accounts receivable	5	2,544	91
Investment in government business enterprise	6	135,299	137,234
Other financial assets	7	10,128	2,747
Derivative instruments	8	400,130	402,277
Sinking funds	9	-	1,335,800
		814,491	1,967,539
Liabilities:			
Due to government and government organizations	10	240,253	232,348
Accounts payable and accrued liabilities	11	94,857	107,062
Debt	12	6,907,786	7,387,729
Public-private partnership obligations	13	1,040,962	957,194
Deferred capital contributions	14	2,615,031	2,607,638
Deferred revenue	15	307,301	232,202
		11,206,190	11,524,173
Net debt		(10,391,699)	(9,556,634)
Non-financial assets:			
Tangible capital assets	16	11,321,696	10,722,668
Other non-financial assets	17	30,647	35,637
		11,352,343	10,758,305
Accumulated surplus		960,644	1,201,671

Accumulated surplus is comprised of:			
Accumulated operating surplus		675,663	823,899
Accumulated remeasurement gains		284,981	377,772
		960,644	1,201,671

Contractual obligations	18
Contingent liabilities	19

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of BC Transportation Financing Authority:

Director

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Note	(Note 24) Budget 2014 ($ 000s)	Actual 2014 ($ 000s)	Actual 2013 ($ 000s)
Revenue:				
Tax revenue:				
Motor fuel tax	20	409,000	417,659	404,872
Car rental tax	20	14,000	14,000	-
Total tax revenue		423,000	431,659	404,872
Amortization of deferred capital contributions	14	135,568	138,744	138,788
Operating revenue	21	62,305	63,600	35,502
Sinking fund gain and interest earnings	9	122,665	123,431	85,774
Other interest revenue		6,500	7,066	440
Earnings from government business enterprise		18,019	13,521	5,486
		768,057	778,021	670,862
Expenses:				
Operating expenses:				
Ferry operations		13,635	12,451	18,389
Transit programs		97,025	87,444	56,572
Highway operations		460,430	467,189	499,212
Other programs		29,635	19,339	39,092
Total operating expenses	22	600,725	586,423	613,265
Debt servicing costs	23	339,063	329,062	310,607
		939,788	915,485	923,872
Deficit from operations		(171,731)	(137,464)	(253,010)
Other:				
Adjustment due to change in accounting policy			-	6,112
Properties from the Provincial Capital Commission	16		3,228	-
Payment to the Province from government business enterprise			(14,000)	(10,000)
			(10,772)	(3,888)
Annual deficit			(148,236)	(256,898)
Accumulated operating surplus at beginning of year			823,899	1,080,797
Accumulated operating surplus at end of year			675,663	823,899

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Change in Net Debt

For the year ended March 31	(Note 24) Budget 2014 ($ 000s)	Actual 2014 ($ 000s)	Actual 2013 ($ 000s)
Operating deficit for the year	(171,731)	(137,464)	(253,010)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(1,105,429)	(1,017,437)	(1,004,753)
Amortization of tangible capital assets	397,505	415,246	415,949
Asset disposal and adjustments	8,627	6,391	7,068
	(699,297)	(595,800)	(581,736)
Effect of change in investment in government business enterprise:			
Payment to the Province		(14,000)	(10,000)
Other comprehensive loss		(964)	(99)
		(14,964)	(10,099)
Effect of change in fair value adjustments and foreign currency translation:			
Equity investments		108	(11)
Foreign currency translation		(89,788)	(18,283)
Derivative instruments		(2,147)	402,277
		(91,827)	383,983
Effect of change in other non-financial assets		4,990	(35,637)
(Increase) in net debt		(835,065)	(496,499)
Net debt at beginning of year		(9,556,634)	(9,060,135)
Net debt at end of year		(10,391,699)	(9,556,634)

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2014 ($ 000s)	2013 ($ 000s)
Accumulated remeasurement gains at beginning of year	377,772	344,329
Unrealized gains and losses:		
Unrealized gain (loss) on equity investments	108	(11)
Unrealized foreign exchange loss on debt	(84,741)	(21,135)
Unrealized net gain on periodic derivative instrument payments	25,323	99,425
	(59,310)	78,279
Realized gains and losses reclassified to the statement of operations:		
Realized foreign exchange gain on maturity of debt	(5,047)	-
Realized loss on maturity of derivative instruments	21,224	-
Realized net gain on periodic derivative instrument payments	(48,694)	(44,737)
	(32,517)	(44,737)
Unrealized comprehensive loss from government business enterprise	(964)	(99)
Accumulated remeasurement gains at end of year	284,981	377,772

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2014 ($ 000s)	2013 ($ 000s)
Operating activities:		
Operating deficit	(137,464)	(253,010)
Items not involving cash:		
Amortization of tangible capital assets	415,246	415,949
Amortization of deferred capital contributions	(138,744)	(138,788)
Amortization of debt premium, discount and issue cost	1,119	2,201
Cost of properties sold (Other financial assets)	2,718	15
Earnings from government business enterprise	(13,521)	(5,486)
Change in operating working capital:		
Due from government and government organizations	25,830	(6,526)
Accounts receivable	(2,453)	4,579
Due to government and government organizations	7,905	37,323
Accounts payable and accrued liabilities	(12,205)	(22,852)
	148,431	33,405
Financing activities:		
Debt issued	-	1,036,180
Debt retired	(587,027)	(4,600)
Realized foreign exchange gain on maturity of debt	(5,047)	-
Realized loss on maturity of derivative instruments	21,224	-
Change in public-private partnership obligations	83,768	67,099
Net additions to deferred capital contributions	146,137	162,304
Assets from the Provincial Capital Commission	(6,801)	-
Change in deferred revenue	75,099	20,895
	(272,647)	1,281,878
Investing activities:		
Change in sinking fund balance	1,335,800	(302,900)
Payment from government business enterprise	492	-
	1,336,292	(302,900)
Capital activities:		
Addition to tangible capital assets	(1,017,437)	(1,004,753)
Tangible capital asset disposed	454	1,660
Costs of tangible capital asset sold	2,747	2,690
Change in other non-financial assets	4,990	(35,637)
	(1,009,246)	(1,036,040)
Increase (Decrease) in cash and cash equivalents	202,830	(23,657)
Cash and cash equivalents at beginning of year	25,978	49,635
Cash and cash equivalents at end of year	228,808	25,978

Supplemental disclosure of cash flow information:	($ 000s)	($ 000s)
Interest paid	320,401	301,572

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (the "Province"), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by a Board who may exercise the rights, powers and advantages conferred under the *Act*. However, the Board is constrained in the use and disposal of transportation infrastructure assets.

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives.

BCTFA is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Canadian public sector accounting (PSA) standards.

b) Basis of consolidation:

British Columbia Railway Company (BCRC), a wholly-owned subsidiary of BCTFA and a government business enterprise, is consolidated using the modified equity basis of consolidation. Under the modified equity method, net operating income, other comprehensive income and changes in equity of government business enterprises are consolidated. Inter-entity transactions are not eliminated. Payments to BCTFA and the Province are deducted from the investment in BCRC.

c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash within a day's notice and are subject to insignificant risk of change in market value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Financial instruments:

Financial instruments include primary instruments such as receivables, payables and loans and derivative instruments such as interest rate swaps and currency swaps. These instruments create rights and obligations for an entity to receive or deliver economic benefits. Public sector accounting standards require that these instruments to be assigned to one of the two measurement categories below:

i) fair value; or
ii) cost or amortized cost.

2. Significant accounting policies (continued):

d) Financial instruments (continued):

BCTFA measures its equity investments and derivative instruments at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system describes the basis of inputs used to measure financial instruments in the fair value category:

i) Level 1 - Quoted price in active market for identical assets or liabilities.
ii) Level 2 - Internal models developed from observable market data for similar assets or liabilities.
ii) Level 3 - Internal models developed without observable market data.

Equity investments:

BCTFA initially recognizes its equity investments at exchange price plus all related transaction costs. These investments are subsequently remeasured at fair value at fiscal year-end using the last bid price in an active exchange (Level 1). Changes in the fair value of the investments are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the investments are sold.

Derivative instruments:

BCTFA uses derivative contracts to manage its currency and interest rate exposure. The derivative contract at inception has no value. At each fiscal year-end, these contracts are remeasured at fair values provided by Provincial Treasury, which uses Level 2 methodology to derive the fair values. Changes in the fair value of these contracts are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the contract expires or is extinguished.

Other financial assets and financial liabilities:

Cash and cash equivalents are measured at cost plus accrued interest which approximates fair value. All other financial assets and financial liabilities are measured at cost or amortized cost using the effective interest rate method. Interest attributable to financial instruments of this type are reported in the statement of operations.

e) Properties held for sale:

Surplus properties that are not anticipated to be used for future highway purposes are available for sale. These properties are classified as other financial assets when all of the following criteria are met:

i) prior to the date of the financial statements, management, with appropriate authority, commits the entity to selling the asset;
ii) the asset is in a condition to be sold;
iii) the asset is publicly seen to be for sale:
iv) there is an active market for the asset;
v) there is a plan in place for selling the asset; and
vi) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

2. Significant accounting policies (continued):

f) Bond premiums, discounts and issue costs:

Bond premiums, discounts and issue costs are deferred and amortized using the effective interest rate method over the term of the related debt.

g) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate these assets. The cost of these assets include the costs incurred by the private sector partners, as well as costs incurred by BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model embedded in the concession agreement. These costs are capitalized as tangible capital assets as construction progresses and an equal obligation is recorded as a liability. These assets will be amortized over their estimated useful lives consistent with the tangible capital assets in note 2(j) and the corresponding obligations will be paid down over the term of the agreements using the effective interest rate method.

h) Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary contributions to depreciable tangible capital assets and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized. Funds received for acquisition of land are recognized as revenue in the period when authorized and all eligibility criteria are met.

i) Deferred revenue:

Deferred lease and licence revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement on a straight line basis. Other deferred operating revenue is recognized as revenue when services rendered.

j) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction, development, improvement or betterment of the assets. When substantial completion of a project is attained, capitalization of financing charges during construction ceases.

Depreciable tangible capital assets and properties transferred from government or government organizations are recorded at their net book values with corresponding entries to deferred capital contributions and contributed surplus respectively.

2. Significant accounting policies (continued):

j) Tangible capital assets (continued):

Tangible capital assets under construction are not amortized until the assets are available for use. The cost, less residual value of the assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Tangible capital asset	Estimated useful life
Land	Indefinite
Vessels	25 years
Ferry terminals and facilities	5 - 40 years
Highway infrastructure	5 - 40 years
Transit infrastructure	15 - 40 years
Building and improvements	15 - 90 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Pre-project planning costs are expensed. Work-in-progress project costs are written off in the year it is determined no tangible asset will result.

k) Revenue recognition:

All revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

See note 2(h) for recognition of deferred capital contributions and note 2(i) for recognition of other deferred revenue.

l) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipients.

2. Significant accounting policies (continued):

m) Foreign currency translation:

Revenue and expenditure transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Any foreign currency adjustments resulting from the translation are recorded in the statement of operations at the time of occurrence.

Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Any resulting currency fluctuations are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the related assets or liabilities expire or are extinguished.

n) Use of estimates:

The presentation of the consolidated financial statements in conformity with PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, asset impairment and provisions for certain liabilities.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

o) Future accounting policy changes:

PSAB issued PS 3260 - *Liability for Contaminated Sites* effective for fiscal periods beginning on or after April 1, 2014. This new policy establishes recognition, measurement and disclosure standards for liabilities resulting from contamination of non-productive sites. Management is reviewing the impact of PS 3260, which will be adopted in fiscal 2014/15.

3. Cash and cash equivalents:

	2014 ($ 000s)	2013 ($ 000s)
Cash	202,515	7,259
Cash equivalents	26,293	18,719
	228,808	25,978

3. Cash and cash equivalents (continued):

Included in cash and cash equivalents are:

- $4.4 million (2013 - $4.5 million) funding received from road users for the Sierra YoYo Desan Road Transition Agreement between BCTFA and the Ministry of Natural Gas Development.
- $4.0 million (2013 - $7.9 million) advance payment from the federal government for contributions to various projects.
- $196 million proceeds from sinking fund liquidation. See note 9 for details.

Cash equivalents are investments in money market instruments which are redeemable within a day's notice.

4. Due from government and government organizations:

	2014 ($ 000s)	2013 ($ 000s)
Province of British Columbia	37,520	63,343
Transportation Investment Corporation	62	69
	37,582	63,412

Due from the provincial government is mainly grants and taxes for BCTFA.

5. Accounts receivable:

Accounts receivable are mostly proceeds from property sales.

6. Investment in government business enterprise:

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in BCRC becoming a wholly-owned subsidiary of BCTFA. BCRC continues to operate as a separate self-supported Crown corporation and retains its legal and legislative authorities and agreements.

	2014 ($ 000s)	2013 ($ 000s)
Investment in BCRC at beginning of year	137,234	141,847
Earnings for the year	13,521	5,486
Comprehensive loss	(964)	(99)
Payment to the Province	(14,000)	(10,000)
Payment to BCTFA	(492)	-
	(1,935)	(4,613)
Investment in BCRC at end of year	135,299	137,234

6. Investment in government business enterprise (continued):

A summary of BCRC's financial information for fiscal 2012/13 and 2013/14 is shown below:

Statement of Financial Position As at March 31	2014 ($ 000s)	2013 ($ 000s)
Financial assets	242,472	239,340
Liabilities	(220,796)	(235,481)
Net assets	21,676	3,859
Non financial assets	113,623	133,375
Accumulated surplus	135,299	137,234

Statement of Comprehensive Income For the year ended March 31	2014 ($ 000s)	2013 ($ 000s)
Revenue	31,802	23,924
Expenses	18,281	18,438
Annual operating surplus	13,521	5,486
Other comprehensive loss	(964)	(99)
Total comprehensive income	12,557	5,387

7. Other financial assets:

	2014 ($ 000s)	2013 ($ 000s)
Equity investments	137	29
Properties held for sale	9,991	2,718
	10,128	2,747

Equity investments are investments in shares of Ballard Power Systems Inc. under the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement. As at March 31, 2014, BCTFA holds 28,250 shares of Ballard Power Systems Inc.

Properties held for sale are surplus properties that are not anticipated to be used for future highway purposes and have met all criteria in note 2(e).

8. Derivative instruments:

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated with interest rate and foreign exchange fluctuations. To mitigate exposure to those risks, BCTFA entered into a number of interest rate and currency swap contracts. In fiscal 2013/14, one interest rate swap and one currency swap contract expired. The remaining contracts will expire between fiscal 2015/16 and 2037/38 with a fair value of $311 million (2013 - $396 million) for interest rate swaps and $89 million ($6 million) for currency swaps as at March 31, 2014. BCTFA did not enter into any new derivative contracts during the year.

9. Sinking funds:

On April 2, 2013, BCTFA entered into an agreement with the Province, as represented by the Minister of Finance, to make the following sinking fund policy changes:

- No sinking funds are to be established on or after April 2, 2013 for repayment of existing loans or future loans.
- The terms and conditions of sinking funds established for repayment of existing loans are changed so that BCTFA is not required to make any further payments into those funds on or after April 2, 2013.
- Over such time period after April 2, 2013, the existing sinking funds are to be dissolved, their assets liquidated and the resulting proceeds from liquidation are to be returned to BCTFA.

On April 4, 2013, BCTFA liquidated all its sinking fund portfolios. The entity used the proceeds from liquidation to retire $587 million of debt and to finance capital expenditures during the year. As at March 31, 2014, a balance of $196 million remained, which will be used to finance capital expenditures in the new fiscal.

10. Due to government and government organizations:

	2014 ($ 000s)	2013 ($ 000s)
Province of British Columbia	240,253	231,848
Transportation Investment Corporation	-	500
	240,253	232,348

Due to the provincial government is mainly capital project payments and accrued liabilities.

11. Accounts payable and accrued liabilities:

	2014 ($ 000s)	2013 ($ 000s)
Interest payable	70,211	74,002
GST/HST remittance to the federal government	90	16
Other payables and accrued liabilities	24,556	33,044
	94,857	107,062

12. Debt:

As a result of the sinking fund liquidation, BCTFA did not acquire any new debt (2013 - $991 million) for the year.

	Year of maturity	Canadian currency debt ($ 000s)	(Canadian equivalent) Foreign currency debt [1] ($ 000s)	2014 Canadian total ($ 000s)	2013 Canadian total ($ 000s)
Short-term promissory notes.....	2013	-	-	-	330,406
long-term debt......................	2014	-	-	-	60,024
	2015	-	-	-	-
	2016	-	300,000	300,000	300,000
	2017	-	-	-	-
	2018	200,000	297,590	497,590	497,590
	2019	180,000	-	180,000	180,000
	2020 - 2024	1,720,678	348,500	2,069,178	2,069,178
	2025 - 2029	488,462	-	488,462	488,462
	2030 - 2034	1,063,000	-	1,063,000	1,063,000
	2035 - 2039	836,490	-	836,490	836,490
	2040 - 2044	1,178,526	-	1,178,526	1,178,526
	2045 - 2049	172,000	-	172,000	372,000
	2050 - 2054	20,000	-	20,000	20,000
Total debt issued		5,859,156	946,090	6,805,246	7,395,676
Unrealized foreign exchange loss on debt				106,062	97
Unamortized debt premium, discount and issue cost				(3,522)	(8,044)
				6,907,786	7,387,729
The effective interest rates of the above debt as at March 31 range between:				1.02% - 7.97%	0.92% - 7.97%

[1] As at March 31, 2014, BCTFA has $952 million (2013 - $990 million) US dollar debt outstanding.

Anticipated principal repayments on debt for the next five fiscal years and thereafter are as follows:

Principal repayment in Canadian currency ($ 000s)	
2015	-
2016	300,000
2017	-
2018	497,590
2019	180,000
and thereafter	5,827,656

12. Debt (continued):

The Minister of Finance is the fiscal agent of BCTFA. All debt is acquired through the provincial government's fiscal agency loan program and is either held or guaranteed by the Province. Each year, BCTFA submits its borrowing plan to Treasury Board and may borrow the sums of money approved in the budget.

13. Public-private partnership obligations:

BCTFA has entered into the following public-private partnership contracts to design, build, finance and operate (DBFO) certain transportation infrastructure. The information presented below shows the outstanding balance of the capital obligations under these contracts. Future payments for the operating and capital components of these contracts are disclosed under contractual obligations in note 18.

	Project status	Interest rate (%)	Contract type	Contract term (Years)	Capital obligations 2014 ($ 000s)	Capital obligations 2013 ($ 000s)
Evergreen Line Rapid Transit Project	Work-in-progress	4.42	DBF	3.5	127,332	31,953
South Fraser Perimeter Road	Completed	9.16	DBFO	20	186,770	178,133
Kicking Horse Park Bridge	Completed	7.40	DBFO	25	65,890	67,860
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25	491,039	506,337
William R. Bennett Bridge	Completed	7.88	DBFO	30	169,931	172,911
					1,040,962	957,194

Anticipated principal repayments on public-private partnership obligations for the next five fiscal years and thereafter are as follows:

	Principal repayment ($ 000s)
2015	24,122
2016	157,186
2017	36,080
2018	40,200
2019	31,707
and thereafter	751,667

14. Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary capital contributions from governments and partners and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized.

	April 1, 2013 balance ($ 000s)	Net additions / adjustments ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2014 balance ($ 000s)
Provincial government	1,340,086	4,885	(109,163)	1,235,808
Federal government	1,182,280	126,675	(26,786)	1,282,169
Municipal government	33,784	3,671	(1,124)	36,331
Other partners	51,488	10,906	(1,671)	60,723
	2,607,638	146,137	(138,744)	2,615,031

15. Deferred revenue:

	April 1, 2013 balance ($ 000s)	Net additions / adjustments ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2014 balance ($ 000s)
British Columbia Ferry Services Inc. terminal lease	61,419	-	(1,228)	60,191
Port Mann Highway 1 Bridge (PMH1) Project land licence	122,880	(1,033)	(1,609)	120,238
Evergreen Line Rapid Transit Project	47,903	78,262	-	126,165
Other deferred revenue	-	707	-	707
	232,202	77,936	(2,837)	307,301

British Columbia Ferry Services Inc. terminal lease:

The *Coastal Ferry Act* enacted on March 26, 2003, provided for the restructuring of the British Columbia Ferry Services Inc. (BC Ferries) - formerly named British Columbia Ferry Corporation. In April, 2003 the Province retained ownership of the ferry terminal lands by having BCTFA purchase them from BC Ferries at fair value and subsequently leased these assets back to BC Ferries for a term of 60 years. BC Ferries prepaid this lease obligation, and the revenue is being amortized on a straight line basis over 60 years.

15. Deferred revenue (continued):

Port Mann Highway 1 Bridge Project land licence:

BCTFA and the Transportation Investment Corporation (TI Corp) entered into a land licensing agreement on March 15, 2010 which provides TI Corp the right to use and occupy certain BCTFA's lands to fulfil TI Corp's obligations under the Port Mann Highway 1 Bridge Project (PMH1) Concession Agreement. The term of the agreement commenced on December 1, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA amortizes the prepaid land licensing fee on a straight line basis over approximately 77 years. In fiscal 2013/14, TI Corp prepaid $3.5 million (2013 - $3.8 million) of the land licensing fee and received a credit of $4.5 million (2013 - $6.9 million) for the unused portion of land acquired earlier for the PMH1 project.

Evergreen Line Rapid Transit Project:

The Evergreen Line Rapid Transit Project (the "Line") is funded by BCTFA, the Government of Canada, TransLink and other partners. The Line will link neighbourhoods in Burnaby, Port Moody and Coquitlam and will be fully integrated into the existing skytrain system. In 2012, BCTFA signed the funding and support agreement with TransLink of which TransLink and other partners will contribute a total of $421 million to the project. TransLink and other partners will make periodic contributions during the construction period and at substantial completion of the project, part of the Evergreen Line infrastructure will be transferred to TransLink. Contributions from TransLink and other partners will be recognized as revenue at the time of the transfer.

16. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding, improving or operating the infrastructure over their useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require the provincial government's approval.

At each fiscal year-end, BCTFA reclassifies land that meets the criteria for properties held for sale in note 2(e) to other financial assets.

In March 2014, the Provincial Capital Commission (PCC) Dissolution Act was enacted. The Belleville wharves land, with a book value of $3.2 million; and tangible capital assets relate primarily to operations on the Belleville wharves, with a net book value of approximately $6.8 million, were transferred to BCTFA.

16. Tangible capital assets (continued):

Cost	April 1, 2013 balance ($ 000s)	Additions ($ 000s)	Transfers ($ 000s)	Disposals ($ 000s)	March 31, 2014 balance ($ 000s)
Highway infrastructure [1]	11,818,651	-	1,534,329	(260)	13,352,720
Transit infrastructure [2]	61,193	-	4,554	-	65,747
Ferry terminals and facilities	22,076	-	1,538	-	23,614
Vessels	32,686	-	-	-	32,686
Building and improvements	-	-	49,243	-	49,243
Land [3]	1,689,363	38,734	(6,764)	(3,094)	1,718,239
Capital projects in progress [4]	1,343,233	978,703	(1,580,533)	-	741,403
	14,967,202	1,017,437	2,367	(3,354)	15,983,652

Accumulated amortization	April 1, 2013 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Disposals ($ 000s)	March 31, 2014 balance ($ 000s)
Highway infrastructure [1]	(4,225,666)	(410,432)	-	153	(4,635,945)
Transit infrastructure [2]	(106)	(1,785)	-	-	(1,891)
Ferry terminals and facilities	(2,420)	(744)	(795)	-	(3,959)
Vessels	(16,342)	(1,417)	-	-	(17,759)
Building and improvements	-	(868)	(1,534)	-	(2,402)
	(4,244,534)	(415,246)	(2,329)	153	(4,661,956)

Net book value	April 1, 2013 balance ($ 000s)	March 31, 2014 balance ($ 000s)
Highway infrastructure [1]	7,592,985	8,716,775
Transit infrastructure [2]	61,087	63,856
Ferry terminals and facilities	19,656	19,655
Vessels	16,344	14,927
Building and improvements	-	46,841
Land [3]	1,689,363	1,718,239
Capital projects in progress [4]	1,343,233	741,403
	10,722,668	11,321,696

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes bus exchanges and park & ride facilities.

[3] Land meets the criteria in note 2(e) is transferred to other financial assets - properties held for sale.

[4] Capital projects in progress are transferred to completed infrastructure when substantial completion is attained.

16. Tangible capital assets (continued):

Cost	April 1, 2012 balance ($ 000s)	Additions ($ 000s)	Transfer ($ 000s)	Disposals ($ 000s)	March 31, 2013 balance ($ 000s)
Highway infrastructure [1]	11,241,838	-	576,912	(99)	11,818,651
Transit infrastructure [2]	3,642	-	57,551	-	61,193
Ferry terminals and facilities	22,074	-	2	-	22,076
Vessels	32,686	-	-	-	32,686
Land [3]	1,643,919	50,869	(2,718)	(2,707)	1,689,363
Capital projects in progress [4]	1,025,417	953,884	(634,465)	(1,603)	1,343,233
	13,969,576	1,004,753	(2,718)	(4,409)	14,967,202

Accumulated amortization	April 1, 2012 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Disposals ($ 000s)	March 31, 2013 balance ($ 000s)
Highway infrastructure [1]	(3,812,074)	(413,651)	-	59	(4,225,666)
Transit infrastructure [2]	-	(106)	-	-	(106)
Ferry terminals and facilities	(1,660)	(760)	-	-	(2,420)
Vessels	(14,910)	(1,432)	-	-	(16,342)
	(3,828,644)	(415,949)	-	59	(4,244,534)

Net book value	April 1, 2012 balance ($ 000s)	March 31, 2013 balance ($ 000s)
Highway infrastructure [1]	7,429,764	7,592,985
Transit infrastructure [2]	3,642	61,087
Ferry terminals and facilities	20,414	19,656
Vessels	17,776	16,344
Land [3]	1,643,919	1,689,363
Capital projects in progress [4]	1,025,417	1,343,233
	10,140,932	10,722,668

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes bus exchanges and park & ride facilities.

[3] Land meets the criteria in note 2(e) is transferred to other financial assets - properties held for sale.

[4] Capital projects in progress are transferred to completed infrastructure when substantial completion is attained.

17. Other non-financial assets:

Other non-financial assets are prepaid capital charges which will be reclassified as tangible capital asset in construction as the related capital projects progress.

18. Contractual obligations:

Information presented below under public-private partnerships are BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations include payments to operate certain transportation infrastructure in use and progress payments for capital projects in progress. Capital obligations resulting from the public-private partnership contracts are disclosed in note 13. Operating payments to concessionaires are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements.

($ millions)	Contract end date	2015	2016	2017	2018	2019	Future payments
Public-private partnership (P3) projects:							
Evergreen Line Rapid Transit Project							
P3 contract	2016	379.3	175.0	-	-	-	-
Direct procurement	2017	23.5	81.7	39.8	-	-	-
Sea-to-Sky Highway Corridor	2030	51.6	50.7	50.3	49.6	48.8	499.8
Kicking Horse Canyon Projects	2030	9.0	7.4	7.6	8.4	8.7	120.8
South Fraser Perimeter Road	2035	25.9	24.1	22.9	22.2	30.0	340.5
William R. Bennett Bridge	2035	17.3	17.1	16.9	16.7	16.5	216.2
Canada Line performance payments	2040	19.3	19.3	19.3	19.3	19.3	384.6
Other commitments		145.9	21.3	37.5	0.2	-	-
		671.8	396.6	194.3	116.4	123.3	1,561.9

19. Contingent liabilities:

The nature of BCTFA's activities is such that there may be expropriation, construction and other claims pending. BCTFA reviews all potential claims on an annual basis and accrues estimated settlement expenses, based on historical settlement amounts and the likelihood of the future events, in accordance with PSA standards.

As at March 31, 2014, unrecorded contingent liabilities of $123 million (2013 - $132 million) remained after deducting the estimated settlement expenses currently accrued and $101 million (2013 - $108 million) of those liabilities is related to expropriation claims.

20. Tax revenue:

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 43 of the new *Provincial Sales Tax Act* effective April 1, 2013, BCTFA receives a car rental tax of $1.50 per car rental day.

21. Operating revenue:

Operating revenue consists of the following:

	2014 ($ 000s)	2013 ($ 000s)
Grants from the Province	22,655	30,143
Grants from the Federal Government	243	-
Net revenue from property sales	32,909	506
Rental and leases	7,277	3,502
Miscellaneous revenue	516	1,351
	63,600	35,502

22. Operating expenses:

Operating expenses by group account classification:

	2014 ($ 000s)	2013 ($ 000s)
Amortization expense	415,246	415,949
Grants	92,468	86,256
Operating costs	60,747	71,060
Other program costs	11,388	32,767
Administration expense	6,120	5,573
Asset write-down and disposal	454	1,660
	586,423	613,265

23. Debt servicing costs:

	2014 ($ 000s)	2013 ($ 000s)
Interest on debt and public-private partnership obligations	382,451	382,989
Interest capitalized	(21,991)	(29,846)
	360,460	353,143
Amortization of debt premium, discount and issue cost	1,119	2,201
Realized foreign exchange gain on maturity of debt	(5,047)	-
Realized loss on maturity of derivative instruments	21,224	-
Realized net gain on periodic derivative instrument payments	(48,694)	(44,737)
	329,062	310,607

24. Budget:

The budget in these consolidated financial statements is based upon the operating and capital budget in the approved 2013/14 - 2015/16 Ministry of Transportation and Infrastructure service plan and the Province's 2013/14 - 2015/16 budget and fiscal plan.

25. Risk management:

a) Interest rate risk:

BCTFA is exposed to changes in interest rates of debt. Based on the entity's debt policy, variable interest rate exposure for debt is limited to a maximum of 40%. To manage interest rate exposure and to maintain the target debt ratio, BCTFA may from time to time enter into interest rate swap contracts.

As at March 31, 2014, 29.8% (2013 - 31.3%) of BCTFA's debt is variable-rate. A 0.25% change in interest rates will have a financial impact of $4.9 million (2013 - $4.9 million) to BCTFA's future net income and cash flow.

BCTFA regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendations, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

b) Foreign exchange risk:

BCTFA's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency. BCTFA's risk management policy is to mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not at the best interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into currency swaps to offset the currency risk.

As at March 31, 2014, BCTFA has $952 million (2013 - $990 million) US dollar debt outstanding. The foreign exchange risk of these debt issues is fully offset by currency swaps.

25. Risk management (continued):

c) Credit risk:

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. The Province only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1. The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters are in accordance with government's policy guidelines, therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts business with the Province and other levels of government / government entities.

d) Liquidity risk:

Liquidity risk is the risk that BCTFA will encounter difficulty in meeting its financial obligations as they come due. BCTFA manages liquidity risk through effective financial and contract management.

Each year, BCTFA reviews its net cash requirement for operational activities and capital investments for the next three years and submits a long-term borrowing plan to Treasury Board for approval. As the fiscal agent of BCTFA, the Minister of Finance has provided BCTFA a pre-authorized short-term borrowing limit of which BCTFA can access short-term funds to meet liquidity needs within one day's notice.

26. Related party transactions:

BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. BCTFA and the Ministry of Transportation and Infrastructure (the "Ministry") signed a Memorandum of Understanding that the Ministry will undertake the delivery of all infrastructure projects on behalf of BCTFA. BCTFA will reimburse the Ministry for all costs incurred for delivery of the projects.

27. Comparative change:

Certain prior year's figures have been restated to conform to current year's presentation.